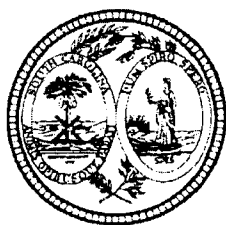


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Jocelyn G. Boyd  
Chief Clerk/Administrator  
Phone: (803) 896-5133  
Fax: (803) 896-5246

## *The Public Service Commission State of South Carolina*

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Legal Department  
F. David Butler, Senior Counsel  
Phone: (803) 896-5113  
Fax: (803) 896-5231

October 13, 2011

Mr. and Mrs. Roger Patterson  
5 Homestead Drive  
Taylors, South Carolina 29687

Re: Duke Energy Rate Increase Request- Docket No. 2011-271-E

Dear Mr. and Mrs. Patterson:

As requested your letter dated October 1, 2011, enclosed please find the specified statutes and regulations, plus a one-page summary of the Commission's general procedure in processing its cases.

Since the Commission is a Court-like entity under Act 175 of 2004, neither the Commissioners nor the Staff can discuss the merits of any matter pending before the Commission. If you would like to discuss the Duke rate matter further, I would suggest that you call the Office of Regulatory Staff in Columbia, and attorney Nanette S. Edwards in particular at (803)-737-0575.

Thank you for your consideration in this matter.

Sincerely,

F. David Butler  
Senior Counsel

cc: All parties of record

When the Commission receives a filing that requires a hearing as part of the adjudication process, the Commission will assign a date, time, and location, and will issue a notice as required by law. The notice will contain a statement of the date, time, and place of the public hearing, a reference to the legal authority under which the proceeding was instituted, and a description of the subject and issues involved, and, in a rulemaking proceeding, the terms or substance of the proposed rule. During the time between the issuance of the Notice of Hearing and the hearing date, Office of Regulatory Staff (ORS) will, in a rate case, conduct an audit of the utility company's books and records. ORS will examine the Company's accounting and other relevant records. If the matter before the Commission is not a rate case, then ORS may conduct an investigation.

At some point, the Commission will issue a Scheduling Order, which will establish dates for the various parties to prefile written testimony and exhibits with the Commission presenting their respective cases, and to serve these materials on all other parties in the case. In some cases, such as with formal consumer complaints, the Notice of Hearing and Scheduling Order are combined in one document. Normally, the Company prefiles testimony first, followed by the Intervenors, and ORS. The written material, i.e. testimony and exhibits, describes the matters that the parties wish to orally bring before the Commission at the public evidentiary hearing. Also, during the period prior to the hearing, the parties may conduct discovery, that is, they may ask each other questions through the use of written interrogatories, oral depositions, or other allowable discovery methods.

At times, the parties may file various pretrial motions to be ruled upon by the Commission. In complex cases, one or more of the parties may request a prehearing conference, where all the parties to a case can simplify issues, or perform other administrative functions prior to the hearing.

In cases where the applicant has requested a rate increase, the Commission may decide to schedule additional public hearings in the service areas of the utility that has filed for the rate increase. These hearings are made available so that members of the public who do not wish to intervene and participate formally in the rate case proceeding may be heard by the Commission. These cases generally involve electric, water or wastewater utilities. Typically in these hearings, members of the public may simply sign in to be heard on the pending matter before the Commission. These public hearings are scheduled to take place prior to the full evidentiary hearing.

**SECTION 58-27-820.** Schedule of rates, service rules and regulations and service contracts shall be filed with Commission.

Under rules and regulations prescribed by the commission, every electrical utility must file with the commission and provide to the Office of Regulatory Staff, within such time and in such form as the commission may designate, schedules showing all rates, service rules and regulations, and forms of service contracts established by the electrical utility and collected or enforced or to be collected or enforced within the jurisdiction of the commission. Under rules and regulations prescribed by the commission, every distribution electric cooperative and consolidated political subdivision must file with the commission and provide to the Office of Regulatory Staff, for information purposes, within such time and in such form as the commission may designate, schedules showing all rates, service rules and regulations, and forms of service contracts established by the distribution electric cooperative or consolidated political subdivision. Each electrical utility, distribution electric cooperative, and consolidated political subdivision must keep copies of the schedules open to public inspection under rules and regulations prescribed by the commission.

**SECTION 58-27-870.** Commission action on proposed rate changes; refund of excessive charges.

(A) After a schedule setting forth the proposed changes in its rates or tariffs has been filed with the commission and provided to the Office of Regulatory Staff, the commission must hold a public hearing concerning the lawfulness or reasonableness of the proposed changes.

(B) When the proposed changes relate to rates or tariffs, the commission must rule and issue its order approving or disapproving the changes within six months after the date the schedule is filed.

(C) Should the commission fail to issue an order within the period prescribed in this section, then upon written notice by any party to the commission of that fact, the commission shall have an additional ten days from the receipt of the notice to issue the required order. If the commission rules and issues its order within the time aforesaid, and the utility shall appeal from the order, by filing with the commission a petition for rehearing, the utility may put the rates requested in its schedule into effect under bond only during the appeal and until final disposition of the case. Such bond must be in a reasonable amount approved by the commission, with sureties approved by the commission, conditioned upon the refund, in a manner to be prescribed by order of the commission, to the persons, corporations, or municipalities respectively entitled to the amount of the excess, if the rate or rates put into effect are finally determined to be excessive; or there may be substituted for the bond other arrangements satisfactory to the commission for the protection of parties interested. During any period in which a utility charges increased rates under bond, it must provide records or other evidence of payments made by its subscribers or patrons under the rate or rates which the utility has put into operation in excess of the rate or rates in effect immediately prior to the filing of the schedule. All increases in rates put into effect under the provisions of this section which are not approved and for which a refund is required shall bear interest at a rate of

twelve percent per annum. The interest shall commence on the date the disallowed increase is paid and continue until the date the refund is made. In all cases in which a refund is due, the commission must order a total refund of the difference between the amount collected under bond and the amount finally approved.

(D) If the commission fails to rule or issue its order within the time prescribed in subsections (B) or (C) of this section, the utility may put into effect the change in rates it requested in its schedule. The change is to be treated as an approval of the new rate schedule by the commission.

(E) After the date the schedule is filed with the commission, no further rate change request under this section may be filed until twelve months have elapsed from the date of the filing of the schedule; provided, however, this section shall not apply to a request for rate reduction.

(F) Notwithstanding the provisions of Sections 58-27-860 and 58-27-870, the commission may allow rates or tariffs to be put into effect without notice and hearing upon order of the commission when such rates or tariffs do not require a determination of the entire rate structure and overall rate of return, or when the rates or tariffs do not result in any rate increase to the electrical utility, or when the rates or tariffs are for experimental purposes, or when the rates or tariffs so filed are otherwise necessary to obtain an orderly rate administration.

(G) The commission's determination of a fair rate of return must be documented fully in its findings of fact and based exclusively on reliable, probative, and substantial evidence on the whole record.

#### 103-303. Authorization for Rates and Charges.

A. No schedules of rates or contracts involving rates, under jurisdiction of the commission, differing from approved tariffs or rates shall be changed until after the proposed change has been approved by the commission.

B. All rates, tolls, charges, and contracts involving rates proposed to be put into effect by any electrical utility shall be first approved by this commission before they shall become effective, unless they are exempt from such approval by statute, order of the commission, or other provision of law.

C. No rates, tolls, charges nor service of any electrical utility under the regulation of this commission shall be deemed approved nor consented to by mere filing of schedules or other evidence thereof in the offices of the commission, unless such proposed adjustment is made in accordance with tariff provisions which have previously been approved by the commission.

D. Any change in rates or charges affecting classifications of rates and services by electric cooperatives shall be provided to the ORS and filed with the commission and subject to approval in accordance with S. C. Code Ann., Section 58-27-840.

### 103-823. Applications.

Applications are submitted to the Commission for any authorization or permission which the Commission is empowered to grant under its statutory authority, including applications for establishment or adjustment of rates and charges.

A. Content of Applications. Applications shall state clearly and concisely the authorization or permission sought, and shall refer to the specific statutory provision or other authority under which Commission authorization or permission is sought.

Applications shall further set forth the following information:

(1) The precise legal name of the applicant, which shall indicate whether the applicant is a partnership, corporation, association, establishment, governmental subdivision, or other public or private organization.

(2) The name, title, address, e-mail address, and telephone number of the person to whom correspondence or communications relative to the application is to be addressed.

(3) The following data, in general rate establishment or adjustment applications, attached as exhibits and developed for a historic twelve-month test period unless otherwise directed:

(a) Balance sheet;

(b) Profit and loss statement;

(c) Accounting and pro forma adjustments;

(d) Computation of proposed increase or decrease;

(e) Effect of proposed increase or decrease to include copies of present and proposed tariffs;

(f) Statement of fixed assets and depreciation reserve;

(g) Rates of return on rate base and on common equity.

(4) All other information required by statute or by the Commission's Rules and Regulations under which a specific type of application is filed, or as may be required by the Commission in a particular proceeding.

B. Form of Applications. Except where otherwise prescribed by the Rules and Regulations of the Commission under which a specific type of application is filed, applications shall conform to the requirements of R. 103-819 through R. 103-822.